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Discussion Materials

Town of Sullivan's Island, South Carolina

February 18, 2020

Financing Overview

- The Town is preparing to issue its Installment Purchase Revenue Bonds, Series 2020 (the “Series 2020 IPRBs”) to finance approximately \$20 million of improvements to various Town owned facilities and infrastructure as noted in the table to the right.
- The Town plans to repay the Series 2020 IPRBs over a 25-year approximately level debt service basis.
 - Based on estimated current market rates, the annual debt service would be approximately \$1.16 million / year and the all-in true interest cost is approximately 2.98%.
- As part of the financing process, the Series 2020 IPRBs were rated “Aa2” from Moody’s and “AA” from Standard & Poor’s.
 - As IPRBs are rated off of an entity’s General Obligation Bond rating, the Town received implied General Obligation Bond ratings of Aa1 and AA+ from Moody’s and Standard & Poor’s, respectively, which are the second highest ratings possible.
- The rating agencies noted the following strengths of the Town:
 - Strong financial position including balanced financial operations and very health liquidity
 - Above average wealth indicators
 - Growing tax base
 - Strong management

Project List

Project	Project Cost
Additional WWTP Project Funding	4,600,000
Stormwater Improvements	4,600,000
Commercial District Improvements	2,705,000
Fire Station Improvements	2,300,000
Historic Structure Preservation	2,070,000
Storage Building	1,725,000
Additional Lift Station Project Funding	1,000,000
Recreation Improvements	1,000,000
Total	20,000,000

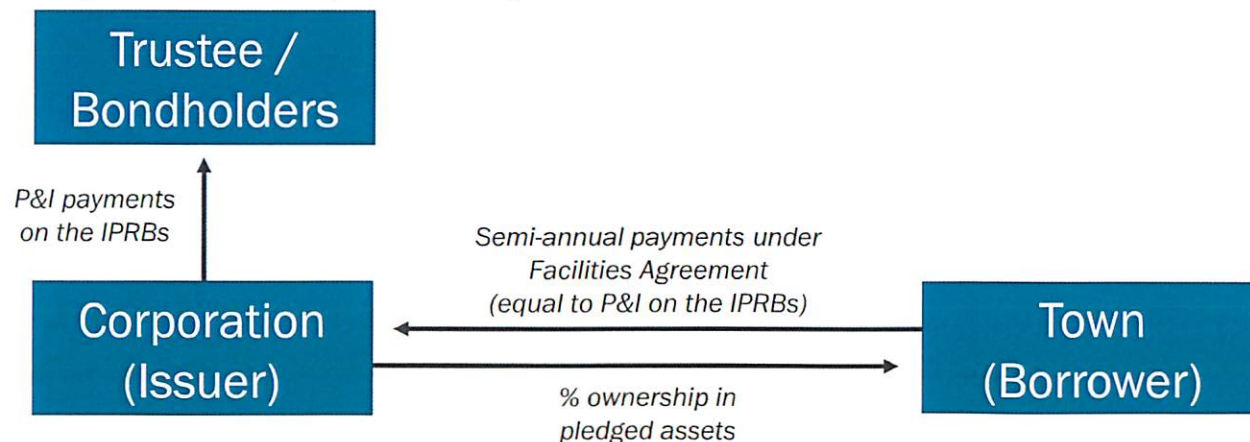
Credit Ratings

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-

Non Investment Grade		
	GO Equivalent	
	IPRBs	

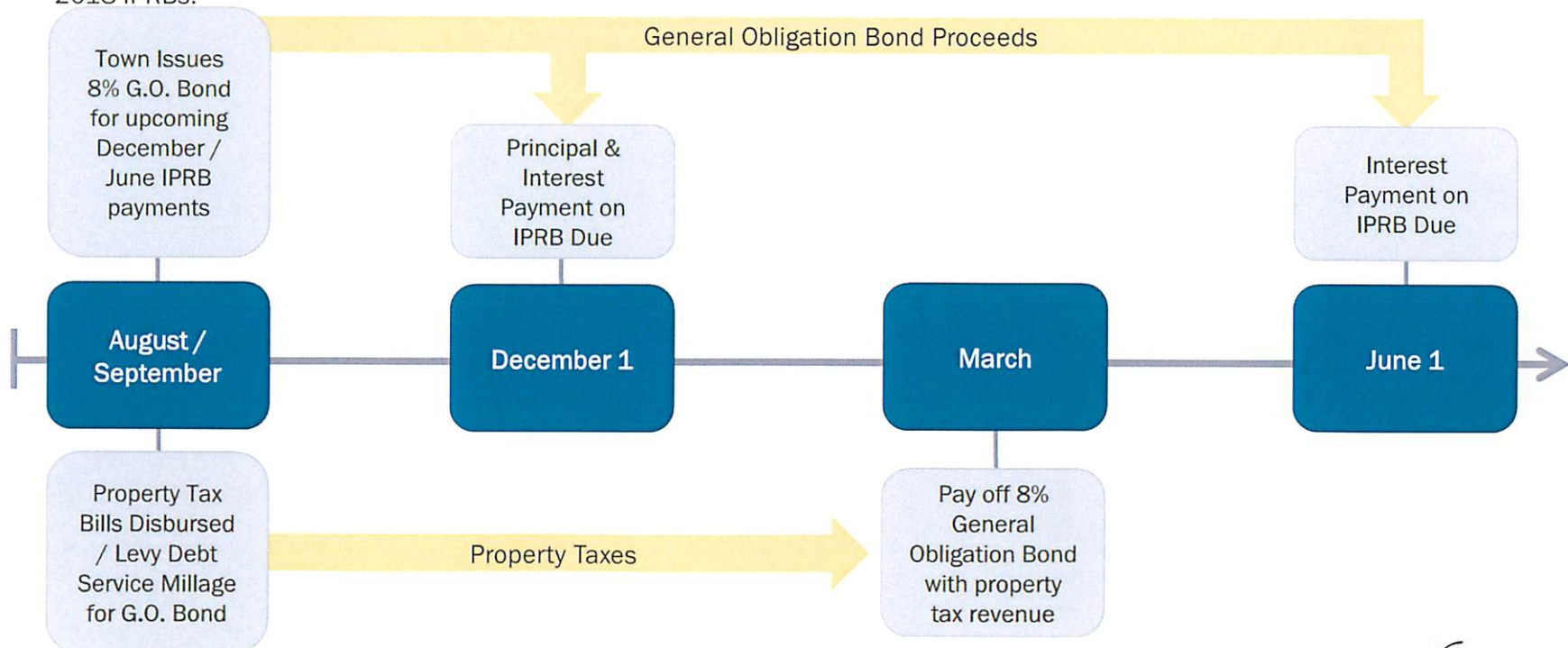
IPRB Overview

- The structure of the Series 2020 IPRBs will be the exact same as the structure of the Town’s Installment Purchase Revenue Bonds, Series 2018 (the “Series 2018 IPRBs”).
- The Series 2018 IPRBs and Series 2020 IPRBs have the following general characteristics:
 - A single-purpose, not-for-profit corporation (Town of Sullivan’s Island Public Facilities Corporation) issues the bonds and provides the proceeds to the underlying borrower (Town) to construct the projects.
 - The Corporation pledges an asset or assets as collateral for both series bonds (Town Hall and Fire Station).
 - City Hall and the Fire Station are leased to the Corporation so that they can be pledged to the bondholders.
 - The Town then makes semi-annual payments to the Corporation via a Facilities Agreement in an amount equal to the debt service on the bonds and the Town acquires (or reacquires) a percentage of the City Hall and Fire Station with each payment.
 - Upon final payment / final maturity of the bonds, the Town will own the City Hall and Fire Station.
 - If the Town fails to make a payment under the Facilities Agreement, it loses access to the unacquired portion of the two facilities.
 - Payments by the Town under the Facilities Agreement can be made from any legally available revenues via annual appropriation by Town Council including the proceeds of an annual General Obligation Bond issued under the Town’s 8% debt capacity (thereby allowing debt service millage to be levied).



8% General Obligation Bond Process

- As noted on the prior page, the Town can repay the IPRBs with the proceeds of an annual General Obligation Bond issued under the Town's constitutional debt limit (8% of assessed value).
 - The amount of the General Obligation Bond will be equal to the debt service due on the IPRBs in that year plus cost of issuance.
- The issuance of the annual General Obligation Bond enables the Town to levy debt service millage each year.
 - The Town technically uses the proceeds of the General Obligation Bond to make the IPRB payments and uses the debt service millage to repay the General Obligation Bond.
- The annual General Obligation Bond will have a maturity (i.e. be repaid) within 1 year thereby freeing up the Town's 8% capacity for the ensuing year's General Obligation Bond (and so on).
- The Town went through this process in 2018 and 2019 in connection with the FY2018 and FY2019 payments due on the Series 2018 IPRBs.



Debt Service Millage Impact

- In FY2020, the Town levied 15.6 debt service mills to pay debt service on its General Obligation Bonds, Series 2014 and the Series 2018 IPRBs.
- Following the issuance of the 2020 IPRBS, the Town's debt service millage is estimated to increase by 11.2 mills to 26.8 mills.
 - While the exact millage levy going forward will depend on the value of a mill, it is expected that the levy will gradually decrease beginning in FY2028.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Fiscal Year	Millage		Existing Debt Service					Proposed Debt Service (IPRB + Annual GO)					Existing and Proposed Debt Service		
	Mill Value	Growth Rate	GO Bonds	IPRB	Annual 8% GO Interest / COI	Total	Cost of Debt (mills)	Principal	Interest	Net Debt Service	Annual 8% GO Interest	Total	Total Requirements	Cost of Debt (mills)	Millage Impact Over FY2020
2020	80,517		1,246,655	-	-	1,246,655	15.5	-	-	-	-	-	1,246,655	15.6	-
2021	82,932	3.00%	454,870	771,063	27,357	1,253,290	15.1	50,000	906,202	956,202	11,953	968,154	2,221,444	26.8	11.2
2022	85,420	3.00%	462,400	771,063	27,357	1,260,820	14.8	270,000	743,475	1,013,475	12,668	1,026,143	2,286,963	26.8	11.2
2023	87,128	2.00%	469,660	771,063	27,357	1,268,080	14.6	325,000	728,600	1,053,600	13,170	1,066,770	2,334,850	26.8	11.2
2024	88,871	2.00%	471,650	771,063	27,357	1,270,070	14.3	385,000	710,850	1,095,850	13,698	1,109,548	2,379,618	26.8	11.2
2025	89,760	1.00%	478,460	771,063	27,357	1,276,880	14.2	420,000	690,725	1,110,725	13,884	1,124,609	2,401,489	26.8	11.2
2026	90,657	1.00%	-	1,234,188	33,146	1,267,334	14.0	475,000	668,350	1,143,350	14,292	1,157,642	2,424,975	26.7	11.1
2027	91,564	1.00%	-	1,234,813	33,154	1,267,966	13.8	500,000	643,975	1,143,975	14,300	1,158,275	2,426,241	26.5	10.9
2028	92,480	1.00%	-	1,234,188	33,146	1,267,334	13.7	525,000	618,350	1,143,350	14,292	1,157,642	2,424,975	26.2	10.6
2029	93,404	1.00%	-	1,232,313	33,123	1,265,435	13.5	555,000	591,350	1,146,350	14,329	1,160,679	2,426,115	26.0	10.4
2030	94,338	1.00%	-	1,234,063	33,145	1,267,207	13.4	580,000	562,975	1,142,975	14,287	1,157,262	2,424,469	25.7	10.1
2031	95,282	1.00%	-	1,234,313	33,148	1,267,460	13.3	610,000	533,225	1,143,225	14,290	1,157,515	2,424,975	25.5	9.9
2032	96,235	1.00%	-	1,233,063	33,132	1,266,195	13.2	645,000	501,850	1,146,850	14,336	1,161,186	2,427,380	25.2	9.6
2033	97,197	1.00%	-	1,232,088	33,120	1,265,207	13.0	675,000	468,850	1,143,850	14,298	1,158,148	2,423,355	24.9	9.3
2034	98,169	1.00%	-	1,233,313	33,135	1,266,448	12.9	710,000	434,225	1,144,225	14,303	1,158,528	2,424,975	24.7	9.1
2035	99,151	1.00%	-	1,235,113	33,158	1,268,270	12.8	745,000	397,850	1,142,850	14,286	1,157,136	2,425,406	24.5	8.9
2036	100,142	1.00%	-	1,233,606	33,139	1,266,745	12.6	780,000	363,625	1,143,625	14,295	1,157,920	2,424,665	24.2	8.6
2037	101,144	1.00%	-	1,236,000	33,169	1,269,169	12.5	815,000	331,725	1,146,725	14,334	1,161,059	2,430,228	24.0	8.4
2038	102,155	1.00%	-	1,234,400	33,149	1,267,549	12.4	845,000	298,525	1,143,525	14,294	1,157,819	2,425,368	23.7	8.1
2039	103,177	1.00%	-	1,236,500	33,175	1,269,675	12.3	875,000	266,859	1,141,859	14,273	1,156,133	2,425,808	23.5	7.9
2040	104,208	1.00%	-	1,234,475	33,150	1,267,625	12.2	910,000	233,894	1,143,894	14,299	1,158,192	2,425,817	23.3	7.7
2041	105,250	1.00%	-	1,233,500	33,138	1,266,638	12.0	950,000	196,694	1,146,694	14,334	1,161,027	2,427,665	23.1	7.5
2042	106,303	1.00%	-	1,236,388	33,174	1,269,561	11.9	985,000	161,072	1,146,072	14,326	1,160,398	2,429,959	22.9	7.3
2043	107,366	1.00%	-	1,233,138	33,133	1,266,270	11.8	1,015,000	127,322	1,142,322	14,279	1,156,601	2,422,871	22.6	7.0
2044	108,440	1.00%	-	1,233,750	33,141	1,266,891	11.7	1,050,000	92,475	1,142,475	14,281	1,156,756	2,423,647	22.4	6.8
2045	109,524	1.00%	-	1,233,138	33,133	1,266,270	11.6	1,090,000	56,363	1,146,363	14,330	1,160,692	2,426,963	22.2	6.6
2046	110,619	1.00%	-	1,234,813	33,154	1,267,966	11.5	1,125,000	18,984	1,143,984	14,300	1,158,284	2,426,251	21.9	6.3
2047	111,725	1.00%	-	1,232,300	33,123	1,265,423	11.3	-	-	-	-	-	1,265,423	11.3	-4.3
2048	112,843	1.00%	-	1,236,700	33,178	1,269,878	11.3	-	-	-	-	-	1,269,878	11.3	-4.3
2049	113,971	1.00%	-	1,234,200	33,146	1,267,346	11.1	-	-	-	-	-	1,267,346	11.1	-4.5
Total			3,583,695	33,475,669	932,290	37,991,653		17,910,000	11,348,389	29,258,389	365,730	29,624,119	67,615,772		

Tax Bill Impact		
Home Value	\$ 1,000,000	\$ 1,000,000
Assessment Ratio	4.00%	6.00%
Impact	\$ 448	\$ 672

Next Steps

- Following third reading of the ordinance, the following steps are necessary for the Town to close the Series 2020 IPRBs.

Date	Task
February 18	Town Council Meeting – 3 rd Reading of Ordinance
February 18	Corporation Meeting – Adopt Approving Resolution
February 19	Post Preliminary Official Statement
February 19-26	Marketing Period
February 27	Sell Bonds / Lock-in Interest Rates
March 17	Closing

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